

Message Text

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PAGE 01 EC BRU 00310 151052Z

13

ACTION EUR-12

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E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: EC COMMUNITY MOVES AHEAD ON EUROPEAN COMMON BORROWING
FACILITY

REF: EC BRUSSELS 10129, 1974

1. BEGIN SUMMARY: THE EC FINANCE MINISTERS HAVE AGREED THAT NEGOTIA-
TIONS SHOULD BEGIN ON ABOUT FEBRUARY 1 TO BORROW DIRECTLY FROM THE
OPEC COUNTRIES. ITALY REPORTEDLY HAS REQUESTED TO RECEIVE A LOAN
FROM THE NEW FACILITY. END SUMMARY.

2. COMMISSION OFFICIALS INFORM US THAT THE EC FINANCE MINISTERS
DISCUSSED PRIVATELY AT THE LONDON MEETINGS OF JANUARY 6-7 THE
EUROPEAN COMMON BORROWING FACILITY. ITALY REPORTEDLY REQUESTED IN-
FORMALLY THAT IT RECEIVE A LOAN FROM THE FACILITY. THE MINISTERS
REPORTEDLY AGREED THAT A SPECIAL WORKING GROUP COULD BEGIN NEGOTIA-
TIONS TO MAKE A DIRECT PLACEMENT WITH OPEC COUNTRIES ON ABOUT
FEBRUARY 1.

3. THE EC WORKING GROUP WHICH WILL UNDERTAKE THESE NEGOTIATIONS IS
CHAired BY JOHN NASH, DIRECTOR FOR MONETARY AFFAIRS II OF THE EC
COMMISSION. EACH MEMBER STATE HAS A REPRESENTATIVE ON THE
WORKING GROUP. OFFICIALS FROM THE BANK OF INTERNATIONAL

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PAGE 02 EC BRU 00310 151052Z

SETTLEMENTS AND THE EUROPEAN COAL AND STEEL COMMUNITY ARE ALSO

PARTICIPATING IN THE GROUP. THIS MONTH THE WORKING GROUP WILL DRAW UP A TECHNICAL PAPER ON THE FACILITY WHICH WILL BE USED AS THE BASIS FOR A PROSPECTUS IN THE FORTHCOMING NEGOTIATIONS.

4. THE WORKING GROUP AT THIS TIME HAS NOT SETTLED ON THE PRECISE TERMS THAT IT WILL REQUEST. IT REPORTEDLY HAS IN MIND A 7-8 YEAR MATURITY PERIOD WITH A THREE TO FOUR-YEAR GRACE PERIOD ON THE PAYMENT OF PRINCIPAL. THE EC PLANS TO ISSUE SECURITIES THAT WOULD NOT BE NEGOTIABLE ON INTERNATIONAL CAPITAL MARKETS BUT COULD POSSIBLY BE TRANSFERRED. THE COMMUNITY HOPES TO BORROW UP TO \$1.5-2 BILLION IN THE FIRST PLACEMENT. NO OTHER MEMBER STATE HAS ASKED FOR A LOAN FROM THE FACILITY, BUT DENMARK AND IRELAND ARE MENTIONED AS POSSIBILITIES.

5. MEMBER STATES ARE EXPECTED TO COMPLETE THE LEGAL PROCEDURES TO AUTHORIZE FORMALLY THE BORROWING FACILITY IN THE NEAR FUTURE. THE GERMAN AND DUTCH PARLIAMENTS HAVE REPORTEDLY GIVEN THEIR APPROVAL AND ONLY THE DANES AND PERHAPS THE BELGIANS REMAIN TO OBTAIN PARLIAMENTARY APPROVAL. COMMISSION AND PERMANENT DELEGATION OFFICIALS FORESEE NO PROBLEMS IN COMPLETING THESE PROCEDURAL REQUIREMENTS BEFORE NEGOTIATIONS ARE TO BEGIN.
GREENWALD

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